

REPORT OF THE COMMISSION STAFF
THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA

POSTED
2/25/99
pao

S. C. PUBLIC SERVICE COMMISSION
RECEIVED
FEB 25 1999
RECEIVED
UTILITIES DEPARTMENT

DOCKET NO.97-131-W
SIGFIELD WATER COMPANY, INC.

REPORT OF THE ACCOUNTING DEPARTMENT

THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA

DOCKET NO. 97-131-W

SIGFIELD WATER COMPANY, INC.

REPORT OF THE ACCOUNTING DEPARTMENT
THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA

DOCKET NO. 97-131-W
SIGFIELD WATER COMPANY, INC.

INDEX

Synopsis-----	i
Analysis-----	1 - 2
Exhibit A: Operating Experience and Operating Margin -----	3
Exhibit A-1: Explanation of Accounting and Pro Forma Adjustments -----	4 - 7
Exhibit A-2: Customer Growth -----	8

REPORT OF THE ACCOUNTING DEPARTMENT
THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA

DOCKET NO. 97-131-W
SIGFIELD WATER COMPANY, INC.

SYNOPSIS

Amount Requested ----- \$20,444

Operating Margins:

Per Books ----- (65.32%)

As Adjusted ----- 6.90%

After Proposed Increase ----- 41.62%

REPORT OF THE ACCOUNTING DEPARTMENT
THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA

**DOCKET NO. 97-131-W
SIGFIELD WATER COMPANY, INC.**

ANALYSIS

The Accounting Department Staff has performed a review of the Application of Sigfield Water Company, Inc. (hereinafter referred to as the Company) along with certain of its accounting records relative to the Company's application to increase certain of its rates and charges under Docket No. 97-131-W.

The Company is a water utility operating in the State of South Carolina in the County of Clarendon. The Company furnishes water to 70 residential customers and 3 commercial customers with its home office being located in Sumter, S.C.

The following is a summary of the Docket relative to the Company's most recent rate adjustment:

Date of Order	Effective Date	Docket Number	Amount Requested	Amount Granted	Operating Margin
9-30-93	10-1-93	91-155-W	\$29,664	\$8,640	20.15%

In the present application, the Company requested additional revenues of \$22,050. Staff calculated the requested increase to be \$20,444.

The Operating margin was computed by the Staff to be 6.90% after the effect of accounting and pro forma adjustments. Such Operating Margin increased to 41.62% after revenues were adjusted for the proposed increase of \$20,444.

The Staff's exhibits relative to the Company's application are as follows:

EXHIBIT A: OPERATING EXPERIENCE AND OPERATING MARGIN

Detailed in this Staff exhibit is the Company's Operating Experience and Operating Margins for the test year ended December 31, 1997 and the accounting and pro forma adjustments which are necessary to correct or normalize the Company's test year operations both before and after the effect of the requested increase.

Utilizing a per book loss of \$6,596 and revenues of \$23,443 Staff computed an operating margin on per book operations of (65.32%). Accounting and pro forma adjustments increased Operating Income resulting in an increase in the Operating Margin to 6.90%. After the Staff adjusted operations for the requested increase the Operating Margin increases to 41.62%.

EXHIBIT A-1: ACCOUNTING AND PRO FORMA ADJUSTMENTS

Detailed in this exhibit are the accounting and pro forma adjustments and each adjustment made necessary as a result of the proposed increase.

EXHIBIT A-2: CUSTOMER GROWTH

The Staff's computation of the Company's customer growth factor is shown in this exhibit. The Staff computed a growth factor of 0.69% for the test year.

ACCOUNTING
EXHIBIT A

Sigfield Water Company, Inc.
Operating Experience and Operating Margin
Test Year Ended December 31, 1997

Description	(1) Per Books	(2) Accounting & Pro Forma Adjustments	(3) As Adjusted	(4) Proposed Increase	(5) After Proposed Increase
	\$	\$	\$	\$	\$
Operating Revenue	23,443	(80) (1)	23,363	20,444 (7)	43,807
Operating and Maintenance Expenses	6,034	(1,315) (2)	4,719	0	4,719
General and Administrative Expenses	16,227	(7,792) (3)	8,435	0	8,435
Depreciation Expense	7,315	(2,371) (4)	4,944	0	4,944
Taxes Other Than Income	463	796 (5)	1,259	0	1,259
State and Federal Income Taxes	0	378 (6)	378	3,935 (8)	4,313
Total Operating Expenses	30,039	(10,304)	19,735	3,935	23,670
Net Operating Income	(6,596)	10,224	3,628	16,509	20,137
Customer Growth (Exh. A-2)	0	25	25	114	139
Net Income For Return	(6,596)	10,249	3,653	16,623	20,276
Operating Margin	-65.32%		6.90%		41.62%
Interest Expense for Oper. Margin	8,718		2,042		2,042

Sigfield Water Company, Inc.
Explanation of Accounting and Pro Forma Adjustments
Test Year Ended December 31, 1997

Revenues and Expenses	(1)	(2)	(3)	(4)	(5)	(6)
Description	Operating Revenue	O&M Expenses	G&A Expenses	Depre. Expense	Taxes Other Than Income	Income Taxes
	\$	\$	\$	\$	\$	\$
1. Staff proposes to adjust revenues for an error found during the audit of the Company's books and records. (U)						
Per Staff	(80)					(15)
Per Company	0					0
2. Staff proposes to adjust O&M expenses for an error discovered while tracing maintenance and repair expense to the Company's books and records. (A)						
Per Staff		318				(61)
Per Company		0				0
3. Staff proposes to decrease expenses for non-allowable items, including items which should have been capitalized. (A)						
Per Staff		(1,633)				314
Per Company		0				0
4. The Company proposes to increase expenses for the estimated cost of complying with DHEC as a result of the requirements under the "Federal Safe Drinking Water Act". Staff did not adjust this expense for estimated amounts. (A)						
Per Staff		0				0
Per Company		4,000				0
5. Staff proposes to decrease management fees to the level approved under Docket No. 88-68-W. There is a management agreement between the parties, but such agreement has not been approved by the Commission. (A)						
Per Staff			(9,600)			1,848
Per Company			0			0
6. The Company proposes to adjust expenses based on a ratio using per book expenses over per book revenues applied to adjusted per book revenues. Staff rejects this adjustment because of the use of an estimate. (A)						
Per Staff		0	0			0
Per Company		72	(244)			0

Sigfield Water Company, Inc.
Explanation of Accounting and Pro Forma Adjustments
Test Year Ended December 31, 1997

	(1)	(2)	(3)	(4)	(5)	(6)
Revenues and Expenses	Operating	O&M	G&A	Depre.	Taxes	Income
Description	Revenue	Expenses	Expenses	Expense	Other Than	Taxes
	\$	\$	\$	\$	\$	\$
7. The Staff and Company propose to decrease expenses for non-recurring appraisal fees. (A)						
Per Staff			(175)			34
Per Company			(175)			0
8. The Staff proposes to amortize actual rate case expenses over 3 years. The Company proposes a 5 year amortization of estimated expenses. (A)						
Per Staff			1,983			(382)
Per Company			1,800			0
9. Staff proposes to annualize depreciation expense using currently approved depreciation rates and year end plant in service. (A&U)						
Per Staff				(2,631)		506
Per Company				0		0
10. Staff proposes to annualize depreciation expense for a personnel computer. Such computer was purchased after the end of the test year. The computer appears to be used equally by both Sigfield Water and Sumter Reforestation. Due to this, Staff allocated 50% of the cost of the computer to Sigfield Water. (A&U)						
Per Staff				260		(50)
Per Company				0		0
11. The Company proposes to increase depreciation expense for the estimated cost of complying with a DHEC required upgrade. Since this is an estimate the Staff did not accept this adjustment. (A)						
Per Staff				0		0
Per Company				500		0
12. The Staff and Company propose to adjust property taxes. Staff's adjustment is based on invoices from the County of Clarendon for the year ended 12-31-97 received and paid in 1998. The Company erred in its calculation of property tax. Staff corrected this error in its adjustment. (A)						
Per Staff					796	(153)
Per Company					3,257	0

Sigfield Water Company, Inc.
Customer Growth Computation
Test Year Ended december 31, 1997

Description	(1) Per Books	(2) As Adjusted	(3) After Increase
	\$	\$	\$
Net Operating Income	(6,596)	3,628	20,137
Growth Factor	0.69%	0.69%	0.69%
Customer Growth	0	25	139

NOTE: Staff does not recognize negative customer growth

Number of Customers:

Beginning	72.0
Ending	73.0
Average	72.5

$$\text{Growth Factor} = \frac{\text{Ending Customers} - \text{Average Customers}}{\text{Average Customers}}$$

$$\text{Growth Factor} = \frac{73.0 - 72.5}{72.5}$$

$$\text{Growth Factor} = 0.69\%$$

UTILITIES DEPARTMENT

REPORT

PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA

SIGFIELD WATER COMPANY, INC.

DOCKET NO. 97-131-W

UTILITIES DEPARTMENT REPORT

SIGFIELD WATER COMPANY, INC.

DOCKET NO. 97-131-W

INDEX

	<u>Page No.</u>
PART A Present and Proposed Rates and Charges Exhibit No. 1	1
PART B Effect of Proposed Rates and Charges on Operating Revenue Exhibit No. 2	2
PART C Effect of Proposed Rates on Customer's Average Bill Exhibit No. 3	2
PART D Recent Utilities Department Business Office Compliance Review Reports Exhibit No. 4	3 - 4
PART E Review of service provided by the Company Exhibit No. 5	5 - 6

**PART A
UTILITIES DEPARTMENT
EXHIBIT NO. 1**

SUMMARY OF RATES AND CHARGES

The present rates and charges for water service for Lake View Subdivision were approved by Order No. 93-887 filed under Docket No. 91-155-W, dated October 1, 1993.

Unmetered Residential Rates

Annual Fee \$320.04
Or
Flat Rate - \$26.67 per month

Tap Fee - \$500.00

PROPOSED RATES

- A. The Applicant proposes to increase its rates as follows:
- | | |
|---|-----------|
| Residential – Annual charges per single residence or
Single family equivalent: | \$ 510.00 |
|---|-----------|
- B. The Applicant proposes to establish a Commercial Rates as follows:
- | | |
|--------------------------------------|------------|
| 1) Commercial – Annual charge ¾" tap | \$ 996.00 |
| 2) Commercial – Annual charge 1" tap | \$1,476.00 |
- C. The Applicant proposes a Commodity Charge as follows:
- | | |
|--|--|
| 1) First 2,000 gal. for the monthly minimum charge | |
| 2) 2,000 to 5,000 gal. at \$3.75 per thousand | |
| 3) 5,000 gal. and over at \$3.50 per thousand | |
- D. The Applicant proposes to continue a one-time Residential Tap Fee of:
- | | |
|--|-----------|
| | \$ 500.00 |
|--|-----------|
- E. The Applicant proposes a one-time Commercial Tap Fee of
- | | |
|-----------|-------------|
| 1) ¾" tap | \$ 1,000.00 |
| 2) 1" tap | \$ 1,250.00 |

**PART B
UTILITIES DEPARTMENT
EXHIBIT NO. 2**

EFFECT OF PROPOSED RATES ON OPERATING REVENUE

PRESENT REVENUE	PROPOSED REVENUE	AMOUNT OF INCREASE	% OF INCREASE
\$23,363	\$43,807	\$20,444	87.51

**PART C
UTILITIES DEPARTMENT
EXHIBIT NO. 3**

EFFECT OF PROPOSED RATES ON CUSTOMERS' MONTHLY BILL

	PRESENT RATE	PROPOSED RATE	AMOUNT OF INCREASE	% OF INCREASE
Residential (flat rate)	\$26.67	\$42.50	\$15.83	59.4%
Commercial (¾" meter)	\$26.67	\$211.85	\$185.18	694.3%
Commercial (1" meter)	\$26.67	\$251.85	\$225.18	844.3%

Based on an average usage of 38,600 gallons of water per month for commercial customers.

PART D
UTILITIES DEPARTMENT
EXHIBIT NO. 4

BUSINESS OFFICE COMPLIANCE REVIEW REPORT

UTILITY: Sigfield Water Co. Inc. INSPECTOR: Charles A Creech

OFFICE: Sumter, SC DATE: February 9, 1999

COMPANY REPRESENTATIVE: Mrs. Harold Sigmon

IN COMPLIANCE
YES OR NO*

- YES 1. Are all records and reports available for examination in accordance with R.103-710 and R.103-510?
- YES 2. Are complaint records maintained in accordance with R.103-716 and R.103-516?
- YES 3. Are the utility's rates, its rules and regulations, and its up-to-date maps and plans available for public inspection in accordance with R.103-730 and R.103-530?
- NO 4. Are procedures established to assure that every customer making a complaint is made aware that the utility is under the jurisdiction of the South Carolina Public Service Commission and that the customer has the right to register the complaint in accordance with R.103-730 and R.103-530?
- N/A 5. Are deposits charged within the limits established by R.103-731 and R.103-531?
- YES 6. Are timely and accurate bills being rendered to customers in accordance with R.103-733 and R.103-532?
- YES 7. Are bill forms in accordance with R.103-732 and R.103-532?
- YES 8. Are adjustments of bills handled in accordance with R.103-733 and R.103-533?
- YES 9. Is the policy for customer denial or discontinuance of service in accordance with R.103-735 and R.103-535?
- YES 10. Are notices sent to customers prior to termination in accordance with R.103-735 and R.103-535?
- YES 11. Are notices filed with the Commission of any violation of PSC or DHEC rules which effect service provided to its customers in accordance with R.103-714-C and R.103-514-C?

UTILITIES DEPARTMENT
PART D
EXHIBIT NO. 4
PAGE 2 OF 2

- YES 12. Does the utility have adequate means (Telephone, etc.) whereby each customer can contact the water and/or wastewater utility at all hours in cases of emergency or unscheduled interruptions of service in accordance with R.103-730 and R.103-530?
- YES 13. Are records kept of any condition resulting in any interruption of service affecting its entire system or major division, including a statement of time, duration, and cause of such an interruption in accordance with R.103-714 and R.103-514?
- YES 14. Has the utility advised the Commission, in accordance with R.103-712 and R.103-512 of the name, title, address and telephone number of the person who should be contacted in connection with:
- (a) General management duties?
 - (b) Customer relations (complaints)?
 - (c) Engineering operations?
 - (d) Meter tests and repairs?
 - (e) Emergencies during non-office hours?
- YES 15. Has the Company verified the maps on file with the Commission include all the service area of the Company?
- 73 16. Number of customers the Company has at present.
70 Residential
3 Commercial

*A "NO" RESPONSE REQUIRES A NOTE IN THE COMMENT SECTION

COMMENTS:

PART E
UTILITIES DEPARTMENT
EXHIBIT NO. 5

On February 11th and 12th personnel from the Public Service Commission conducted inspections of the water system Lake View Subdivision in Clarendon County which is owned and operated by Sigfield Water Company, Inc.

The Lake View system provides service to 70 residential customers and 3 commercial customers.

Staff interviewed customers that resided in the subdivision and the greatest concern that most customers had, in addition to higher rates, was the fact that the system is not metered and at times the pressure is low.

Based on Staff's investigation of the water systems, we find that the utility provides acceptable service.

Staff received no complaints from the customers of Sigfield during the test year and no complaints for the previous five (5) years.

WATER

UTILITY <u>Sigfield Water Co., Inc.</u>	INSPECTED BY <u>Charles A. Creech</u>	
SYSTEM <u>Lake View Subdivision</u>	DATE INSPECTED <u>February 11, 1999</u>	
	COMPANY REP <u>Harold Sigmon</u>	

TOTAL NUMBER OF WELL SITES 1

NUMBER OF WELLS NOT IN OPERATION 0

REASON FOR INOPERABLE WELLS N/A

PUMP HOUSES YES ☒ NO ☐ NUMBER 2

ELECTRIC WIRING ACCEPTABLE ☒ FAULTY ☐

EXPOSED PIPING YES ☐ NO ☒
LOCATION _____

CHLORINATOR	YES	<input type="checkbox"/>	NO	<input checked="" type="checkbox"/>
OTHER CHEMICALS	YES	<input type="checkbox"/>	NO	<input checked="" type="checkbox"/>
IN USE	YES	<input type="checkbox"/>	NO	<input type="checkbox"/>

STORAGE	PRESSURE TANK	<input checked="" type="checkbox"/>	NON-PRESSURE TANK	
	GROUND LEVEL	<input type="checkbox"/>	OVERHEAD	

SIZE IN GALLONS	<u>10,000</u>
P.S.I. AT TANK	<u>55</u>

METERS	YES	<input type="checkbox"/>	NO	<input checked="" type="checkbox"/>
FIRE HYDRANTS	YES	<input type="checkbox"/>	NO	<input checked="" type="checkbox"/>
AIR IN LINES	YES	<input type="checkbox"/>	NO	<input checked="" type="checkbox"/>
SAND IN WATER	YES	<input type="checkbox"/>	NO	<input checked="" type="checkbox"/>

CLARITY OF WATER	<u>Good</u>
ODOR	<u>None</u>

LEAKS	YES	<input type="checkbox"/>	NO	<input checked="" type="checkbox"/>
LOCATION	_____			

NEW CONSTRUCTION	YES	<input type="checkbox"/>	NO	<input checked="" type="checkbox"/>
HOUSES	YES	<input checked="" type="checkbox"/>	NO	<input type="checkbox"/>
UTILITY	YES	<input type="checkbox"/>	NO	<input checked="" type="checkbox"/>

NATURE Residential Home

FREQUENCY CHECKED BY OPERATOR Normally once a week

APPROXIMATE NUMBER OF CUSTOMERS 70 CAPACITY OF SYSTEM 200

LOCATION OF UTILITY OFFICE 2911 Waverly Drive, Sumter, SC 29150

LOCATION OF SYSTEM Taw Caw area of Clarendon County

SYSTEM APPROVED BY COMMISSION YES ☒ NO ☐ DATE Oct. 1, 1993

IS SUBDIVISION PROVIDED SEWER BY THIS UTILITY? YES ☐ NO ☒
BY WHOM? Septic tanks

OTHER COMMENTS _____